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✓ OVI P To (Brown)

PAGE #1 BEIJIN 36862 06 OF 07 121011Z 025488 SB22291

ACTION: CHIPS

INFO: EAP (04) P (01) RA (01) EP (02)
----- 121030Z A1 PB (TOTAL COPIES: 013)

ACTION EAP-BB
INFO LOG-BB AMAD B1 OASY-BB EB-BB EXME-BB TEDE-BB ADS-BB
/003W -----673142 121014Z /38

R 121009Z AUG 94
FM AMEMBASSY BEIJING
TO SECSTATE WASHDC 4175
USDOC WASHDC
INFO AMCONSUL SHANGHAI
AMCONSUL HONG KONG
AMCONSUL SHENYANG
AMCONSUL GUANGZHOU
AMCONSUL CHENGDU

UNCLAS BEIJING 036862

USDOC FOR 3132/BIO/EAP/KOCHRAN/ASTERLING
USDOC FOR 4426/EP/EAP/OPN/FOREST
USDOC FOR 6120/ITA/TD/AUTOMOTIVE/L.SEAHAN (AUTOMOTIVE)
USDOC FOR 6110/ITA/TD/ENERGY/A.VITALI (POWER)

STATE FOR EAP/CW
STATE PLEASE PASS EXIMBANK FOR T. MULTHAK

E.O. 12356: N/A
TAGS: BBSR; BIIQ; CH
SUBJECT: BROWN CHINA VISIT -- JCCT AUTOMOTIVE SUBGROUP;
MEETING WITH MINISTRY OF MACHINERY INDUSTRY

1. SUMMARY: FCS OFFICERS AND MOFTEC'S DEPARTMENT OF SCIENCE AND TECHNOLOGY OFFICIAL MET WITH AN OFFICIAL OF THE MINISTRY OF MACHINERY INDUSTRY (MMI) TO DISCUSS THE SIGNING OF A JCCT AUTOMOTIVE SUBGROUP MOU DURING SECRETARY BROWN'S VISIT. AFTER REVIEWING A RANGE OF MMI'S INTERESTS, INCLUDING CONVENTIONAL AND NUCLEAR POWER EQUIPMENT AND MACHINE TOOLS, WE FOCUSED ON OUR INTEREST ON SIGNING AN MOU FOR THE JCCT AUTOMOTIVE SUBGROUP. MR. YANG SEEMED SUPPORTIVE OF THE EFFORT TO SIGN AN AUTOMOTIVE MOU, BUT WAS NONCOMMITAL. WE LEFT AN MOU DRAFT AND AGREED TO RESUME DISCUSSION IN A DAY OR TWO. END SUMMARY.

2. COMMERCIAL MINCOURIS HENDRYX, COMOFF LYLE, AND COMASSISTANT FU YING, ACCOMPANIED BY MOFTEC DEPARTMENT OF SCIENCE AND TECHNOLOGY, DEPUTY DIVISION DIRECTOR ZHOU RUOJUN, MET TUESDAY, AUGUST 9 WITH MR. YANG WANSHENG, DEPUTY DIRECTOR, DEPARTMENT OF INTERNATIONAL COOPERATION OF THE MINISTRY OF MACHINERY INDUSTRY (MMI) TO DISCUSS THE SIGNING OF A JCCT AUTOMOTIVE SUBGROUP MOU DURING THE SECRETARY'S VISIT.

3. AFTER REVIEWING THE BACKGROUND OF THE JCCT AND THE INDUSTRIAL SUBGROUPS AND RELATED WORK PLANS, COMMINCOURIS DESCRIBED THE PROPOSAL TO ESTABLISH A SEPARATE AUTOMOTIVE SUBGROUP, PASSED THE DRAFT TERMS OF REFERENCE (TOR), AND INDICATED OUR INTEREST IN SIGNING A MEMORANDUM OF UNDERSTANDING BASED ON THE TOR DURING THE SECRETARY'S VISIT.

4. YANG PUT FORWARD A BROAD LIST OF MMI INTERESTS

BEYOND THE AUTOMOTIVE SECTOR INCLUDING POWER GENERATION, TRANSMISSION, AND DISTRIBUTION EQUIPMENT; MMI'S INTEREST IN THE INTEGRATED COAL-GASIFICATION COMBINED-CYCLE

BEIJIN 36862 06 OF 07 121011Z 025488 SB22291
GENERATING PROJECT; AND A DESIRE TO WORK WITH WESTINGHOUSE ON NUCLEAR POWER EQUIPMENT. YANG ALSO LOBBIED FOR SOME CONCESSIONS FROM CHRYSLER -- AND USG CONCESSIONARY FINANCING -- ON THE SOUTH-CHINA MINIVAN PROJECT. COMMINCOURIS RESPONDED THAT USDOC HAD AN INTEREST IN STRENGTHENING COOPERATION IN ALL THESE AREAS.

5. REGARDING ELECTRIC POWER EQUIPMENT, COMMINCOURIS NOTED THAT THE JCCT POWER SUBGROUP WAS AN APPROPRIATE VENUE TO PROMOTE BUSINESS CONTACT BETWEEN U.S. FIRMS AND MMI (THE EQUIPMENT MANUFACTURER) AS WELL AS WITH MOP (THE END USER) AND SUGGESTED WE EXPLORE WAYS TO INCLUDE MMI IN THE UPCOMING POWER EVENTS. COMMENT: WHILE RIVALRY EXISTS BETWEEN MOP AND MMI, COMOFF BELIEVES THERE IS SCOPE FOR PARTICIPATION BY BOTH IN MOST OF THE TRADE EVENTS LISTED IN THE POWER SECTOR WORK PLAN. GIVEN THE CHINESE EMPHASIS ON TECHNOLOGY TRANSFER AND COOPERATIVE MANUFACTURING, MOST U.S. MANUFACTURERS OF POWER EQUIPMENT, SOONER OR LATER, WILL DEAL WITH MMI. IT MAKES LITTLE SENSE TO DUPLICATE MISSIONS TO TALK SEPARATELY TO MMI AND MOP, AND THE SUBJECT MATTER OF THE SCHEDULED EVENTS IS OF INTEREST TO BOTH. WE SHOULD EXPLORE WITH MOP HOW TO WORK WITH MMI TO DEVELOP AND IMPLEMENT THE POWER SUBGROUP WORK PLAN. END COMMENT.)

6. REGARDING NUCLEAR COOPERATION, COMOFF NOTED RECENT LIBERALIZATION IN BALANCE-OF-PLANT RESTRICTIONS AND AGREED THAT, WHEN THE TIME WAS RIPE, IT MIGHT BE USEFUL

TO REVIEW THE CURRENT POLICY, REFLECTING FOREIGN POLICY CONCERN OUTSIDE THE PURVIEW OF FCS, WHICH LEAVES THE FRENCH FREE TO EXPORT WESTINGHOUSE TECHNOLOGY BUT PREVENTS WESTINGHOUSE FROM DOING SO.

7. REGARDING THE AUTOMOTIVE SECTOR ITSELF, YANG PRESSURED FOR AN "ACTIVE ROLE BY THE GOVERNMENT" IN PROMOTING BUSINESS (INCLUDING TO GOVERNMENT-SUBSIDIZED FINANCING OF THE SOUTH-CHINA MINIVAN PROJECT). COMOFF REVIEWED EXIMBANK'S NEW PREEMPTIVE TIED-AID CAPITAL PROJECT POLICY, EMPHASIZED U.S. POLICY IS TO DISCOURAGE MARKET-DISTORTING GOVERNMENT TRADE SUBSIDIES, AND STRESSED THAT, UNDER OUR SYSTEM, USDOC FOCUSED ON FACILITATING FREE-MARKET COMPETITION BY OUR PRIVATE SECTOR CORPORATIONS; AND THAT THE JCCT SUBGROUPS ARE PRIMARILY FOCUSED ON PRACTICAL STEPS OF PLANNING AND IMPLEMENTING OPPORTUNITIES FOR U.S. AND CHINESE ENTERPRISES TO MEET AND CONDUCT BUSINESS. COMOFF ALSO INDICATED THAT SECRETARY BROWN HAD EXPRESSED AN INTEREST IN SEEING THE

SOUTH CHINA MINI-VAN PROJECT BROUGHT TO A SUCCESSFUL CONCLUSION WITH A U.S. PARTNER. YANG AGREED THAT WE SHOULD MAKE TRADE PROMOTION A PRACTICAL FIRST STEP IN OUR COOPERATION AND LEAVE THE DISCUSSION OF "DIFFICULT POLICY ISSUES" TO ANOTHER TIME AND PLACE.

8. THE DRAFT AUTOMOTIVE TOR WAS LEFT WITH YANG WITH THE UNDERSTANDING THAT WE WOULD MAKE CONTACT IN A FEW DAYS, WITH THE OBJECTIVE OF CREATING A CHINESE AND ENGLISH TEXT FOR SIGNING BY THE SECRETARY. (CC: SHENDRYX) ROY

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